

Message Text

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44

ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CIAE-00 COME-00

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PM-04 H-02 L-03 NSC-05 PA-01 PRS-01 SS-15 /103 W

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4588

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

USMISSION OECD PARIS

USMISSION EC BRUSSELS

USINT BAGHDAD

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E.O. 11652: N/A

TAGS: EFIN, ECIN, KU, XF

SUBJ: GULF INTERNATIONAL BANK

1. DURING THEIR RECENT MEETING IN KUWAIT, FINANCE MINISTERS OF SEVEN ARAB GULF STATES AGREED TO FORMATION OF GULF INTERNATIONAL BANK WHICH WILL BE HEADQUARTERED IN BAHRAIN. SHAIKH ALI KHALIFA AL-SABAH, KUWAIT'S UNDERSECRETARY OF FINANCE, WAS SELECTED TO BE CHAIRMAN OF NEW FINANCIAL INSTITUTION. EMBOFF DISCUSSED GIB WITH
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ALI KHALIFA JANUARY 29.

2. ALI KHALIFA'S REMARKS INDICATE THAT REGIONAL GOVERNMENTS INTEND FOR GIB TO PLAY IMPORTANT ROLE IN INVESTMENT AND BANKING AFFAIRS. HE SAID IT WILL BECOME BIGGEST BANK IN MIDDLE EAST. ACCORDING TO ALI KHALIFA GIB EVENTUALLY WILL PERFORM MANY SERVICES FOR GOK AND OTHER OWNER-GOVERNMENTS THAT PRESENTLY ARE BEING PERFORMED BY MAJOR INTERNATIONAL BANKS. THESE MAINLY WESTERN BANKS WILL NOT NECESSARILY BE REPLACED, BUT AMONG THEM GIB WILL BECOME FAVORED BANK.

3. ALI KHALIFA EXPLAINED THAT GOK PRESENTLY SPENDS SEVERAL MILLION DOLLARS PER YEAR FOR VARIOUS SERVICES INCLUDING LETTERS OF CREDIT, SAFE KEEPING OF GOVERNMENT-OWNED SHARES IN COMPANIES, ETC. THEREFORE TOTAL AMOUNT OF MONEY TO BE SAVED BY ALL OWNER GOVERNMENTS WILL BE SUBSTANTIAL. GIB'S PRIMARY FUNCTION WILL BE TO BE AN OFF-SHORE BANK PROVIDING FULL RANGE OF SERVICES. ALI KHALIFA SAID THAT EVENTUALLY GIB HOPES TO HAVE BRANCHES IN EUROPE, JAPAN AND US.

4. ALI KHALIFA SAID GIB WOULD NOT RPT NOT SEEK FOREIGN MANAGEMENT, BUT IT IS LIKELY THAT BANKS THAT PRESENTLY HAVE CLOSE RELATIONSHIPS WITH OWNER GOVERNMENTS (PRESUMABLY FNCB, MORGAN, FIRST NATIONAL BANK OF CHICAGO, ETC) WILL BE ASKED TO ASSIST GIB BY SECONDING PERSONNEL TO THE NEW INSTITUTION.

5. COMMENT: AS A KUWAITI AND AS CHAIRMAN OF GIB, ALI KHALIFA IS PERHAPS UNDULY ENTHUSIASTIC ABOUT BANK'S ROLE. FACT REMAINS, HOWEVER, THAT ARAB GULF STATES HAVE AGREED TO ESTABLISH GIB, AND ALI KHALIFA'S DESCRIPTION OF WHAT GIB WILL BE DOING INCLUDES PRACTICAL DOLLARS AND CENTS CONSIDERATIONS. MOREOVER, AT LEAST WITH RESPECT TO GOK, IT SHOULD BE NOTED THAT CREATION OF GIB SATISFIES TWO IMPORTANT POLICIES, VIZ., INCREASING CONTROL BY LOCAL PEOPLE OVER THEIR OWN RESOURCES AND ASSETS, IN THIS INSTANCE IN FINANCIAL SECTOR, AND ADDITIONAL INTEGRATION OF AND COOPERATION AMONG ECONOMIES OF ARAB GULF STATES.

MAU

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